



# Scott Newcomer

STATE REPRESENTATIVE • 33<sup>rd</sup> ASSEMBLY DISTRICT

**TO:** Members of the Assembly Committee on Financial Institutions  
**FROM:** Scott Newcomer, Representative 33<sup>rd</sup> Assembly District  
**RE:** Assembly Bill 502  
**DATE:** October 4, 2007

Members of the Committee on Financial Institutions, thank you for hearing my testimony today in favor of AB 502. I am opening my testimony today by sharing with you an email I got recently in favor of this bill.

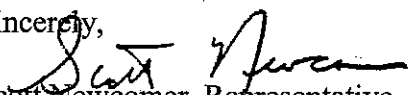
"Thank you for introducing this legislation! My husband and I recently applied for a home mortgage and about a week later received a call from a Nevada based company that was trying to get us to consider using them. He actually told me that his company was affiliated with the three large credit bureaus and that his company performed this service on their behalf. When I told him I wasn't interested he became very rude. It was scary to find out how much personal information he had obtained. The experience upset me so much that I called our mortgage broker to complain thinking he had sold our information, but he explained the exact situation you are trying to prevent. I'm sure you've heard a lot of stories just like mine and that is why you authored the bill, but I just thought I'd add one more to your list. It is truly upsetting when identity theft is such a concern that the very institutions that are supposed to protect you end up exposing you to risk."

Assembly Bill 502 protects consumers from the hassle of a trigger lead, and protects businesses and their reputations. A consumer who applies for a mortgage through a financial institution or a mortgage broker is increasingly experiencing the hassle of a trigger lead. The way it works is a consumer submits a credit application with a lender. The lender, in turn, submits the application to a consumer-reporting agency, which then sells that information to a third party. The third party then proceeds to contact the consumer to attempt to get them to finance the loan through their organization. These trigger leads typically include personal information such as address, telephone numbers, age, income and home value.

The **Mortgage Privacy Protection Act** aims to protect Wisconsin consumers' financial privacy by regulating the practice and dissemination of information through what is often referred to as "trigger leads." The bill defines "trigger lead" as information relating to a consumer that is furnished by a consumer-reporting agency or personal data provided to a nonaffiliated third party if conditions apply.

Thank you for hearing testimony on this important piece of legislation and I hope you will join me in support.

Sincerely,



Scott Newcomer, Representative  
33<sup>rd</sup> Assembly District



**State of Wisconsin**  
*Department of Financial Institutions*

Jim Doyle, Governor

Lorrie Keating Heinemann, Secretary

Catherine Haberland, Executive Assistant  
Department of Financial Institutions  
Assembly Committee on Financial Institutions  
Assembly Bill 502  
October 4, 2007

Chairperson Newcomer, committee members, on behalf of the Department of Financial Institutions (DFI), thank you for the opportunity to provide testimony regarding Assembly Bill 502 (AB 502).

I am here to express Secretary Heinemann's and DFI's support of AB 502. We share your commitment to provide additional protection to consumers in Wisconsin by limiting unsolicited contact by licensed financial service providers, including mortgage brokers. Currently, state law does not address the use of trigger leads by lenders. Contacts that result from trigger leads are at best an inconvenience to consumers and they have the potential of leading to confusion and uncertainty for the consumer.

One of our primary goals at DFI is to protect consumers of financial services. We believe that the practice of trigger leads places the consumer in a more vulnerable position to unfavorable lending conditions. Many times these solicitations offer enticing products with low terms that the consumer may not qualify. These unsolicited consumers can end up placed in products that are not in their best interest. One could speculate that some of these solicitations have lead to unfavorable sub-prime mortgages.

AB 502 will substantially restrict a person from providing a trigger lead that is not a prescreened consumer report to an unaffiliated 3<sup>rd</sup> party. It also prohibits a person who obtains a trigger lead that is not a prescreened consumer report, from soliciting any consumer. If a person obtains a prescreened consumer report, AB 502 prohibits the use of that information in a manner that is unfair or deceptive.

DFI believes our laws should protect a consumer's privacy – a person should be able to walk into a bank or credit union and apply for a loan without a third party selling the details of that transaction to other lenders.

AB 502 will significantly reduce or even eliminate the number of unwanted solicitations that consumers receive when they are in the process of or have recently obtained a mortgage.

Again, thank you for allowing DFI to share our support of AB 502. I would be happy to answer any questions committee members might have.

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*Office of the Secretary*

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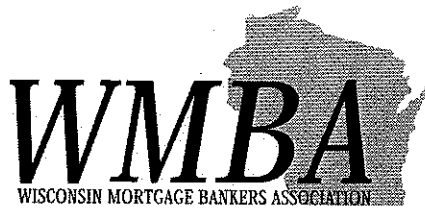
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TO: Members, Assembly Financial Institutions Committee

From: Ron Steinhofer, President  
Wisconsin Mortgage Bankers Association

Date: Thursday, October 4, 2007

RE: Testimony in Support of AB 502

Good Morning, my name is Ron Steinhofer and I currently serve as President of the Wisconsin Mortgage Bankers Association (WMBA). The WMBA membership consists of over 400 real estate finance professionals, including traditional mortgage bankers, mortgage brokers, title company representatives and members from the mortgage insurance industry.

The WMBA strongly supports AB 502 – the mortgage privacy protection act. This intent of this bill is to protect Wisconsin consumers by regulating the practice and dissemination of information through what is often referred to as “trigger leads.” These trigger or mortgage lead lists have become increasingly common and more of a nuisance throughout the real estate finance industry.

When a consumer applies for a mortgage or other residential loan product, the lender typically pulls a credit report. The credit reporting agency then sells the information to a third party, which many times contain personal financial data – including name, address, phone number, credit score, home value, revolving accounts balance amount, loan to value ratio, past dues, age, and annual income. These third parties either solicit the consumer directly, or market and re-sell the lists to multiple lenders who then solicit the consumers without disclosing how they obtained the information.

These third parties, who know very little about the original transaction, can often propose enticing terms for which the consumer may or may not qualify and then place them in a product that is not always in their best interest.

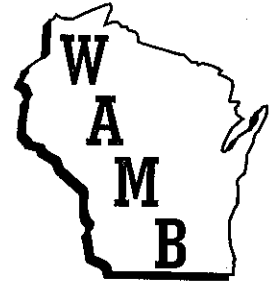
Often, and incorrectly, the consumer believes that the original lender sold their information which in turn creates a sense of mistrust and may result in the termination of the transaction.

While the WMBA encourages consumers to shop around for the best loan product for their personal financial needs, we believe it should be on the consumers terms, not a third party lender that bought the consumers personal data with the intention of compromising the relationship established with the original lender.

The WMBA believes that this bill is an important step in ensuring that a consumer’s financial privacy is maintained and respectfully urge you to support AB 502

Thank you.

# WISCONSIN ASSOCIATION OF MORTGAGE BROKERS



October 4, 2007

Representative Scott Newcomer  
Chair, Assembly Financial Institutions Committee  
PO Box 8953  
Madison, WI 53708

Dear Chairman Newcomer and Members of the Committee,

On behalf of the Wisconsin Association of Mortgage Brokers (WAMB), I would like to register in support of Assembly Bill 502 relating to the dissemination and use of prescreened lists or "trigger leads".

Last year, I served as President of WAMB, which represents over 200 mortgage broker company members and over 1,500 individual loan originator members. I've worked in the mortgage industry for over 20 years and currently work for Fairway Independent Mortgage as a loan originator for the past 9 years.

Throughout the year, this industry has seen an increasing amount of abuse in the use of prescreened lists, or what has been most commonly referred to as "trigger leads", and the effect of this on the consumers of Wisconsin has called for a resounding need to address this issue through legislative matters. The Wisconsin Association of Mortgage Brokers supports Assembly Bill 502 and its efforts to further regulate the use and, most commonly, the misuse of these leads.

As an industry professional, I am constantly made aware of consumers who were misled in their communications with individuals who purchased their information through the credit repositories and use this information to solicit them on other offers of credit. Even more onerous, these calls are also often misleading in that the solicitor will inform the consumer that they received their information from the company that first originated the loan, directing the consumer's anger toward the broker, banker or credit union who originally pulled their credit. This bill would specifically address this issue, requiring that within the initial phase of the solicitation the person soliciting must state that they are not the lender, and are not affiliated with the lender, to which the consumer has applied for an extension of credit.

Again, on behalf of the Wisconsin Association of Mortgage Brokers, I am happy to support Assembly Bill 502, which I believe provides a strong step forward in protecting consumers throughout Wisconsin.

Sincerely,

Joe Theisen  
Past President, WAMB